

	98		100
1	John Edmonds	1	John Edmonds
2	Q. Did you ever -- after obtaining the	2	finish my question, just for the record. I
3	report marked as Defendants' Exhibit No. 4, did	3	understand that you know what I'm going to ask,
4	you ever share that report with the Seaveys or	4	but my question is, before filing this lawsuit,
5	anyone else from Dalton Management?	5	did you ask anyone else on your behalf to sit
6	A. I don't recall whether I did or not.	6	down with the Seaveys to discuss the findings
7	(Witness peruses the exhibit.)	7	enumerated in Defendants' Exhibit No. 4?
8	A. I might have spoken to Bob and said	8	A. I may have discussed it with Mel.
9	to him that -- you know, that my accountants are	9	And I think the position was that, you know,
10	having a very difficult time with Phyllis and	10	you're not going to get anything positive from
11	Dalton, getting information so that they can	11	the Seaveys, so why bother?
12	complete their audit.	12	Q. What about with anyone from Dalton;
13	Q. Did you ever discuss with either the	13	did you or any agent of yours discuss this with
14	Seaveys or anyone else from Dalton the	14	anyone else from Dalton?
15	information contained in the report dated	15	A. When I would call, I would call on
16	12/12/2007?	16	104. And Dawley's on 103. He would generally
17	A. I think I did.	17	end up with a call. And he was always -- to him
18	Q. What did you discuss with them?	18	it was a source of great humor. He was always
19	A. That -- that this account reflects	19	laughing. Oh, John, in other words, what are you
20	what their auditing approach has found thus far.	20	bothering us about again kind of thing.
21	Q. Do you recall whether or not you	21	And so --
22	actually presented them with a copy of the	22	Q. So your answer is you didn't discuss
23	report?	23	it with anyone from --
24	A. I think I may have given it to Bob.	24	A. No.
25	I'm not sure.	25	Q. How about with anyone from Marks
	99		101
1	John Edmonds	1	John Edmonds
2	Q. Did you ever share or discuss this	2	Paneth & Shron; did you or anyone on your behalf
3	report with anyone from Marks Paneth & Shron?	3	try to discuss the items contained in Defendants'
4	A. I have no recollection of that.	4	Exhibit No. 4 with Marks Paneth & Shron to
5	Q. Before commencing this lawsuit, did	5	determine if there was an explanation behind the
6	you or Cameron Griffiths & Pryce ever attempt to	6	items?
7	sit down with either [redacted] start to sit down	7	MR. HAYWOOD: Objection to form in
8	with the Seaveys to discuss the issues concerned	8	the sense there are a series of letters
9	in Defendants' Exhibit No. 4 to see if there was	9	from the accountants to Marks Paneth &
10	an explanation or if they could be fixed?	10	Shron stating questions, which are in this
11	A. I testified earlier that Phyllis	11	record.
12	threatened to have me arrested if I came to that	12	Is your question directed to
13	office to -- to have any discussion about Dalton	13	anything he might have said outside of that
14	and its management of the properties.	14	pattern, that sequence of communications,
15	Q. So is then your answer to my	15	all of which is in the pleadings and all of
16	previous question no?	16	which have been presented here?
17	A. The answer is what I gave. So no, I	17	MR. TRAUB: Mr. Haywoode, again,
18	have not been back there because I don't want to	18	your objection goes far beyond that that is
19	suffer further insults. I'm a very sensitive	19	allowed in Federal Rule 30.
20	guy.	20	MR. HAYWOOD: Counsel's question is
21	Q. Have you ever asked anyone else on	21	did he or anyone on his behalf ask these
22	your behalf to discuss this document with the	22	questions. And there are a series of
23	Seaveys to determine whether or not --	23	documents from Cameron Pryce & Mitchell
24	A. I have counsel and --	24	[sic] in the pleadings and presented to
25	Q. Mr. Edmonds, you have to let me	25	you, which raise the very question that I

26 (Pages 98 to 101)

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<p style="text-align: right;">102</p> <p>1 John Edmonds 2 understand you to be asking him. 3 MR. TRAUB: Mel, your objection is 4 now suggestive, which violates Federal 5 Rule 30. So, Mel, I don't need a response 6 from you.</p> <p>7 BY MR. TRAUB:</p> <p>8 Q. Mr. Edmonds, did you understand my 9 question?</p> <p>10 A. Repeat it, please.</p> <p>11 Q. Did you or anyone on your behalf 12 ever try to discuss Defendants' Exhibit No. 4 13 with Marks Paneth & Shron?</p> <p>14 A. It may be that the accountants 15 attempted to discuss it with them. But after I 16 retained them, you know, I was not going to 17 bother Jennings' office. Because there was 18 another situation in which some charming lady 19 would get on the phone and tell me that he was 20 out on in California or whatever.</p> <p>21 Q. Turning to Defendants' Exhibit 22 No. 4; have you actually sat down with Cameron 23 Griffiths & Pryce and discussed all of the 24 information contained in this letter?</p> <p>25 A. Well, the information contained in</p>	<p style="text-align: right;">104</p> <p>1 John Edmonds 2 That would mean that it would be 3 3 percent each. But Phyllis and Bob are those 4 that decided to use this as -- that amount as a 5 tax write-off, and so they keep it on the record. 6 And I think every year they write it off rather 7 than to pay -- pay me my \$91,000.</p> <p>8 Q. Do you have an understanding, 9 though, that if the \$181,000 is paid, that you'll 10 get \$90,500?</p> <p>11 A. I have an understanding that I'm a 12 50 percent owner of the project and I would 13 insist upon that.</p> <p>14 Q. So your issue, though, with respect 15 to Item No. 1 is --</p> <p>16 A. Issue very simply is pay me my 17 \$91,000.</p> <p>18 Q. In other words, you want -- you're 19 not claiming that \$181,000 was not paid or was 20 paid inappropriately; you're claiming that it 21 remains on the books and records, but the \$90,500 22 should be paid to you?</p> <p>23 A. The inappropriateness is the use of 24 a fee that belongs to me. I don't care what they 25 do with their 90 -- to benefit Dalton taxwise,</p>
<p style="text-align: right;">103</p> <p>1 John Edmonds 2 the letter seems to me to be restricted to 2006. 3 And if you're asking that question, the answer is 4 yes, I've had oral discussions with them, as I've 5 testified to several times this morning, at their 6 office.</p> <p>7 Q. And so you understand, then, what is 8 contained in this letter?</p> <p>9 A. Yes.</p> <p>10 Q. If you turn to the second page of 11 their letter, the very first issue that they 12 raise is that there's an accounts payable on the 13 books and records of \$181,000 as amount owing to 14 Dalton Management.</p> <p>15 Do you see where I'm looking at?</p> <p>16 A. Which page is this?</p> <p>17 Q. It actually says page 2 at the 18 bottom, and it's Issue No. 1.</p> <p>19 A. Uh-huh, yeah.</p> <p>20 Q. Are you familiar with this issue?</p> <p>21 A. Yes, it's the \$181,000 that are fees 22 due the partners as a result of the 6 percent 23 annual fee that you are entitled to if your 24 project is running -- up and running and there 25 are no major problems, et cetera.</p>	<p style="text-align: right;">105</p> <p>1 John Edmonds 2 Dalton writes it off every year.</p> <p>3 Q. Have you made a demand for your 4 portion --</p> <p>5 A. Several times.</p> <p>6 Q. -- of the \$181,000?</p> <p>7 A. Certainly.</p> <p>8 Q. Did you make it in writing?</p> <p>9 A. I don't know if I made it in writing 10 or not. I made the demand several times, but one 11 occasion or so I did make it in writing.</p> <p>12 Q. Who did you make the demand to?</p> <p>13 A. I think I sent a letter to Bob, a 14 letter to Phyllis, a letter to Dalton Management 15 and cc'd Avery and Nealle.</p> <p>16 Q. What was their response when you 17 asked for this \$181,000?</p> <p>18 A. I didn't ask for the \$181,000.</p> <p>19 Q. Or for your portion -- sorry, you're 20 right. For your half of the \$181,000.</p> <p>21 A. That -- the response is that the 22 partnership has not agreed and the fee will 23 remain a fee payable to Dalton until such time as 24 the partnership decides that this fee should be 25 paid.</p>

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<p style="text-align: right;">106</p> <p>1 John Edmonds 2 Q. You were present at the deposition 3 of Ron Dawley, were you not? 4 A. Yes. 5 Q. Have you reviewed the transcript of 6 Mr. Dawley? 7 A. No, I have not. 8 Q. Do you recall Mr. Dawley's testimony 9 about this \$181,000 when asked questions by your 10 counsel, Mr. Haywoode? 11 A. No. 12 Q. If Mr. Dawley had testified that 13 there was an agreement between the partners that 14 if this money were to be paid, that it would be 15 paid 50/50, 50 percent to you and 50 percent to 16 the Seaveys as the other partners, but that you 17 had insisted it remain on the books and 18 records -- 19 A. If he testified to that, that's an 20 absolute lie. So I don't want anything that 21 belongs to me in the hands of the Seaveys. 22 Q. So it's your position that this 23 money is to be paid 50/50 to the partners and not 24 remain on the books and records? 25 A. That's correct.</p>	<p style="text-align: right;">108</p> <p>1 John Edmonds 2 you see how the management response is kind of a 3 subheading under Issue No. 1? 4 A. The recommendation? 5 Q. Under the recommendation, see where 6 it says -- Issue No. 1, it says, "Accounts 7 payable Logan Plaza Associates," and the 8 subheading that says, "Observation" that has some 9 language, "Background" has some statements, 10 "Recommendation" has some statements, and then it 11 says "Management response." 12 Have you ever received any 13 information to fill in this management response? 14 A. Is that the statement -- the 15 recommendation, "The management company should 16 ensure the proper accounting records are kept. 17 The auditor should verify that amounts listed in 18 the accounts payable schedule is actually due to 19 those vendors. 20 "The 181,000 attributed to Dalton 21 Management Company should be requested by the 22 appropriate account to ensure that the future 23 remittances are made to the appropriate vendor." 24 Q. And then there's another subheading 25 right under that and it says, "Management</p>
<p style="text-align: right;">107</p> <p>1 John Edmonds 2 THE WITNESS: Bob, do you have a 3 check for me today? 4 Q. Turning to -- 5 MR. SEAVEY: I know where to get it 6 for you, but I'll have to beat her up. 7 MR. HAYWOODE: It's on the way. 8 You'll lose that fight. 9 THE WITNESS: I always do. 10 BY MR. TRAUB: 11 Q. Mr. Edmonds, if you look actually 12 under the subheadings under -- I guess we'll call 13 it Issue No. 1 -- subheadings are observation, 14 background, recommendation and then it says, 15 "Management's response." 16 Do you see where I'm looking? I'm 17 back -- 18 MR. HAYWOODE: Page 2. 19 MR. TRAUB: Page 2. 20 MR. HAYWOODE: You're on page 2, 21 Darren, and you're looking at management 22 response (indicating). 23 A. I have page 2, "Management response 24 to [sic] not used." 25 Q. Above the "to [sic] not used," do</p>	<p style="text-align: right;">109</p> <p>1 John Edmonds 2 response," and then there's nothing after that. 3 A. That's correct. 4 Q. Have you ever received any response 5 from management to fill in this information? 6 A. The response that I've testified to 7 earlier, and that was that Phyllis told me 8 that -- that this amount would remain on -- on 9 the books and records of Dalton until there's -- 10 there was an agreement by both partners that 11 respectfully [sic] that they should get their 12 fees. And she said -- and Avery has not agreed. 13 Q. Have you told Cameron Griffiths & 14 Pryce about Miss Seavey's response that you just 15 gave? 16 A. Yes. 17 Q. Do you have any understanding one 18 way or the other that the \$181,000 was money owed 19 to a former management company? 20 A. I have an understanding that that 21 \$181,000 is the fee passed over to Dalton from 22 the former management company, which fee is a 23 part of that 6 percent that the owners are 24 entitled to get where the project is operating 25 efficiently and above and beyond any obligations.</p>

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<p style="text-align: right;">110</p> <p>1 John Edmonds 2 Q. Turning on to Number 3 and it says, 3 "Management fees." You see where I'm looking -- 4 A. Yes. 5 Q. -- kind of the bottom part of 6 page 2? 7 A. Yeah. 8 Q. And the issue raised in there is 9 that Dalton Management paid itself fees that are 10 called overages totaling \$64,052 for the three 11 years, 2006, 2005, and 2004. 12 Do you see where I'm reading? 13 A. Yeah. 14 Q. Do you agree with that statement? 15 A. I can't agree with it. They got the 16 books and records. How can I -- I don't know 17 what -- 18 Q. Do you have any reason to doubt your 19 auditor's statements? 20 MR. HAYWOOD: Objection. 21 A. No. 22 MR. HAYWOOD: Objection. 23 A. No, I don't have any reason to doubt 24 their statement. 25 Q. When you go to background at the</p>	<p style="text-align: left;">112</p> <p>1 John Edmonds 2 Q. Have they told you any other issues 3 with regards to Issue No. 3 regarding management 4 fees of Church Homes? 5 A. Church Homes, I thought we were 6 talking about Logan. 7 Q. If you look at Issue No. 3, it says, 8 "Management fees for Church Home Associates." 9 A. Okay. 10 Q. Have they told you any other issues 11 with management fees for Church Home Associates? 12 A. They're continuing their 13 examination. That's all they said to me. This 14 is what they've -- in 2000 -- in their 15 examination of the 2006 records, this is what 16 they found. And this is -- they're continuing to 17 look at the books and records. 18 Q. But as of today, they haven't told 19 you of any other issues that they have found thus 20 far with respect to management fees of Church 21 Home Associates? 22 A. Orally, they have discussed with me 23 their findings as they go along. 24 Q. Have they told you about any 25 findings that they have found with regards to</p>
<p style="text-align: right;">111</p> <p>1 John Edmonds 2 very bottom of page 2, it says, "In an attempt to 3 address the overpayments, the management company 4 set up a receivable for the 44,675, which was 5 credited to the current year's expense. This 6 resulted in a partial reimbursement." 7 MR. HAYWOOD: Just one second. Are 8 you reading the entire statement? 9 BY MR. TRAUB: 10 Q. -- "and an understatement of current 11 year management fee." 12 Do you see where I'm reading? 13 A. Yes. 14 Q. Have you discussed this issue with 15 Cameron Griffiths & Pryce? 16 A. In oral discussions, yes. 17 Q. And what did they tell you about 18 this issue? 19 A. Just what they put here. 20 Q. And their recommendation is that the 21 management make an additional reimbursement of 22 approximately 69,684 for payments in excess of 23 what is permitted by the management contract is 24 that correct? 25 A. Yes.</p>	<p style="text-align: left;">113</p> <p>1 John Edmonds 2 management fee of Church Home Associates? 3 A. They discuss with me the whole 4 process used by Dalton to retain these monies. 5 Q. Mr. Edmonds, other than the process, 6 have they told you of any other monies that they 7 have found that they have issue with with regards 8 to management fee of Church Home Associates? 9 A. This report tells me what they have 10 found thus far. 11 Q. So the answer then is, other than 12 what's in this report, they've not told you any 13 other issues orally with regards to any issues 14 or with regards to management fees -- 15 A. I told you, they've discussed with 16 me -- 17 Q. Problems finding -- 18 A. -- problems and so forth and so on. 19 For instance, they have indicated to me that -- 20 you know, we've asked them for these specific 21 things, and he would name a few of the items. 22 And he says, We have not been able 23 to get them, and we're continuing to attempt to 24 get those. 25 Q. Turning to Issue No. 4, the audit</p>

	114		116
1	John Edmonds	1	John Edmonds
2	fee for Church Homes, it says that the issue that	2	these services.
3	they've found --	3	Q. And so --
4	MR. HAYWOOD: Page 3.	4	MR. HAYWOOD: My objection, for the
5	THE WITNESS: Uh-huh.	5	record, the statement you just read,
6	Q. -- the issue that they found was	6	Darren, says audit expense for 2006
7	that \$41,769 was paid for audit services of	7	exceeded the contracted amount of 17,769,
8	Church Homes and that they believe that it	8	plus 2,000 accrued to be paid in a
9	exceeded the contracted amount by 17,769 plus	9	subsequent period. That was the full
10	2,000 accrued to be paid in a subsequent period.	10	statement. You asked him about the 17,000,
11	Do you see where I'm looking at?	11	but not the 2,000.
12	A. Yeah.	12	MR. TRAUB: I believe that I
13	Q. Are you contesting the services	13	actually read the full statement into the
14	received by Church Home Associates or just the	14	record. And my question to him had nothing
15	amount that was paid?	15	to do with the payment, but it had to do
16	A. Well, Church Home Associates is a	16	with are you contesting the services
17	project in which Seavey owns 25 percent, I own	17	received or are you contesting the alleged
18	25 percent, the limited partner owns 50 percent.	18	overpayment of those services.
19	We purchased that mortgage in 2006, I believe,	19	MR. HAYWOOD: But you said 17,769.
20	for 2 million -- each party paid -- 25 percent	20	You did not add the 2,000.
21	investment was \$2,100,000.	21	BY MR. TRAUB:
22	Seavey put up that amount. I put up	22	Q. Mr. Edmonds, do you understand my
23	that amount. And I know Seavey thought I	23	question?
24	wouldn't have the money, but I did have it.	24	A. Am I contesting --
25	Q. Are you sure you're not confusing	25	Q. With regard to the issue of audit
	115		117
1	John Edmonds	1	John Edmonds
2	that with Charles Hill Associates?	2	fee for Church Homes Associates that's discussed
3	A. The Church Home? Yes, I am	3	in Item No. 4 on page 3 of Defendants' Exhibit
4	confusing that -- I am. I'm talking about	4	No. 4, is the issue with regard to the audit
5	Charles Hill, yes.	5	services received or is the issue with respect to
6	Q. So Charles Hill -- you do not own	6	the alleged overpayment for these audit services?
7	25 percent of Church Home Associates; is that	7	A. The issue, sir, for the 20th time,
8	correct?	8	is the objection I have to the Seaveys'
9	A. I don't think either of the managing	9	management control of these -- the dollars,
10	general partners do.	10	including Church Home, that result in issuing
11	Q. So your last testimony about the	11	monies paid to Dalton Management that Dalton
12	25 percent and 25 percent and then the limited	12	Management is not entitled to.
13	owning the remainder, that was with regards to	13	Q. Mr. Edmonds --
14	Charles Hill and not Church Home?	14	A. I don't care -- I don't know how
15	A. That's correct, that's correct, not	15	they used the money.
16	Church Home.	16	Q. This will go a lot faster today,
17	Q. So my question with regard to the	17	meaning this deposition, if you listen to the
18	audit fee of Church Homes, are you contesting the	18	question that I'm asking and you respond to that
19	actual audit services received or just that you	19	question.
20	believe that there was a 17,769 overpayment other	20	My question has to do, not with your
21	than what was due under the contract?	21	issue with regards to your lawsuit, with regards
22	A. I'm contesting the process used by	22	to Issue No. 4 specified in this. With regards
23	the Seaveys to pay obligations of theirs of a	23	to this --
24	management company, and the business of using	24	A. For me, Mr. Traub, it's a report of
25	fees that belong to the partnership to pay for	25	the auditors. And this report only continues to

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<p>1 John Edmonds 2 reflect the quality of abuse that I'm talking 3 about. That's how I view it. 4 Q. So your issue then is that you 5 believe -- 6 A. I've answered you, Mr. Traub. I 7 don't want you to give me an answer. You know, 8 I've answered your question. 9 Q. With all due respect, Mr. Edmonds, 10 you have not, and I think that the record will 11 reflect that. But I'll move on. 12 MR. HAYWOOD: Object to it as 13 argumentative. 14 BY MR. TRAUB: 15 Q. With regard to the salaries and 16 office expenses, which is the issue raised in 17 Number 5 at the bottom of page 3 -- 18 Do you see that? 19 A. Yes, what about it? 20 Q. What discussions have you had 21 with Cameron Griffiths & Pryce regarding the 22 salaries and office expenses -- 23 A. Look, I've answered that a thousand 24 times. I've said to you that the discussions 25 are, in connection with that, the business of</p>	<p>118</p> <p>1 John Edmonds 2 the pockets of Dalton Management Company as a 3 matter of practice. 4 Q. And my question to you, Mr. Edmonds, 5 was, before you filed your complaint and before 6 you signed your affidavit in support of the order 7 to show cause, did you in fact review the 8 documents and contracts attached to your 9 affidavit? 10 A. I probably did, yeah. I probably 11 would have sure. 12 Q. Let's just skip the formalities and 13 turn to this. 14 BY MR. TRAUB: Can you mark this as 15 Defendants' Exhibit No. 5. 16 (Defendants' Exhibit 5, Affidavit in 17 Support of Order to Show Cause, marked for 18 identification.) 19 BY MR. TRAUB: 20 Q. Actually, let me take that back for 21 one second and get you a clean copy. 22 MR. TRAUB: Can we take a 23 five-minute break? Let's break for lunch 24 now. This would be a good time. It's 25 almost one o'clock.</p>
<p>119</p> <p>1 John Edmonds 2 Dalton placing their employees on the payroll of 3 the partnership rather than of the management 4 company. 5 Q. Before you filed this 6 lawsuit and you served it as a verified complaint 7 and before you filed your affidavit in support of 8 the order to show cause, did you review all of 9 the contracts with Dalton Management? 10 A. I've said to you earlier I could not 11 review all of the contracts because they were not 12 made available to me. 13 Q. What about all of the contracts that 14 you attached as exhibits to your affidavit, did 15 you review all of those contracts? 16 A. I don't remember whether I did or 17 didn't. 18 Q. So you didn't check to see whether 19 or not those contracts state -- 20 A. Mr. Traub -- 21 Q. Again, Mr. Edmonds -- 22 A. I -- I want to be very plain, if I 23 can again. And that is that my objection is to 24 the process followed by the Seaveys in gaining 25 control and in -- in putting excessive monies in</p>	<p>121</p> <p>1 John Edmonds 2 MR. KELLY: Is that okay with 3 everybody? 4 MR. TRAUB: Why don't we come back 5 at two o'clock. 6 THE WITNESS: How long do you expect 7 to go today? 8 (Luncheon recess from the record.)</p>

<p style="text-align: right;">122</p> <p>1 John Edmonds 2 A F T E R N O O N S E S S I O N 3 (1:51 p.m.) 4 JOHN EDMONDS, 5 having been previously sworn, resumed the 6 stand and testified further as follows: 7 EXAMINATION (Cont'd.) 8 BY MR. TRAUB: 9 Q. Mr. Edmonds, before we move on, 10 Defendants' Exhibit No. 4, which is the 11 investigative report as of 12/12/2007 from 12 Cameron Griffiths & Pryce, is this the report 13 that forms the basis for your complaint with 14 respect to inaccuracies in the auditing of the 15 partnerships' books and records? 16 A. I think that it will be necessary 17 for these accountants to do the investigation 18 that I have retained them to do in order that we 19 can go forward with proof of our case. 20 Q. But for the actual monies and 21 statements made in your complaint, other than for 22 difficulties to get documents, which you stated 23 earlier, it's Defendants' Exhibit No. 4 that 24 makes up the basis for those -- or contains all 25 Cameron Griffiths & Pryce's findings to date?</p>	<p style="text-align: right;">124</p> <p>1 John Edmonds 2 A. -- that the basis for my complaint 3 is the conduct of the Seaveys and their 4 management company in connection with the 5 management of these four properties. 6 Q. And what you stated earlier was that 7 that conduct, as you understand it, is to be that 8 they paid Dalton employees directly from the 9 partnerships? 10 A. That's one of the -- one of the 11 basis for the complaint. 12 Q. What are the others? 13 A. I cannot be specific about that 14 because the accountants are continuing their 15 investigation -- 16 Q. But as of the date of the 17 complaint -- 18 MR. HAYWOOD: Darren -- 19 Were continuing their investigation. 20 A. -- and I expect that they will find 21 a series of defalcations and abuses that would be 22 the basis for proceeding with respect to this 23 matter. 24 Q. As of the date that you filed the 25 complaint, had they notified you of any</p>
<p style="text-align: right;">123</p> <p>1 John Edmonds 2 A. I don't know whether that's accurate 3 or not. At least as of the time when they gave 4 me this report, this was -- this was how far they 5 had been able to go. 6 Q. And as of the time that your 7 complaint was written, this is all you had 8 received from the auditors; is that correct? 9 MR. HAYWOOD: I'm going to object 10 to the form. There are a series of letters 11 here. Counsel has seen them. They predate 12 this report. All of those came to the 13 client, obviously. 14 MR. TRAUB: Mel, Number 1, if that's 15 the case, he can answer to that extent. I 16 don't need you telling him what my question 17 means. And there's nothing inappropriate 18 about my question if there are such 19 letters. 20 Q. So Mr. Edmonds, other than the 21 letters requesting other documents, is this the 22 statement that makes up the basis for your 23 complaint? 24 A. I've told you earlier that -- 25 MR. HAYWOOD: Objection to form.</p>	<p style="text-align: right;">125</p> <p>1 John Edmonds 2 defalcations they had found? 3 A. I believe we retained them -- 4 when -- 5 THE WITNESS: After we filed the 6 complaint, isn't that correct? 7 MR. HAYWOOD: (Nods head in the 8 negative.) 9 Q. Other than turning to your counsel, 10 let me try -- 11 MR. HAYWOOD: I don't know why he's 12 looking at me, because he may not know when 13 the complaint was filed. He didn't file 14 it. Perhaps you could tell him the dates. 15 MR. TRAUB: And I will -- 16 MR. HAYWOOD: We know they were 17 retained in March. 18 MR. TRAUB: The complaint was filed 19 on June 23, 2008. 20 MR. HAYWOOD: Okay. 21 A. They had been retained prior to 22 that. 23 Q. So at the time of June 23, 2008, had 24 they told you of any defalcations that they had 25 uncovered?</p>

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<p style="text-align: right;">126</p> <p>1 John Edmonds 2 A. I've indicated to you that -- that 3 this -- 4 Q. "This," you mean Defendants' Exhibit 5 No. 4? 6 A. Yes, this report was what they -- 7 they had found for the year 2006. 8 Q. And so that report for what they 9 found for the year 2006 formed the basis for your 10 complaint as of June 23, 2008? 11 MR. HAYWOOD: My objection is that 12 the complaint will speak for itself. 13 The witness may answer. 14 A. The answer is that -- that the 15 complaint was filed as a result of my decision to 16 go forward with this -- this action in view of 17 the kind of responses that I was getting from the 18 Seaveys. 19 MR. TRAUB: Can I mark this as 20 Defendants' Exhibit No. 6. 21 (Defendants' Exhibit 6, Verified 22 Complaint, marked for identification.) 23 BY MR. TRAUB: 24 Q. I'm also handing you what's been 25 marked as Defendants' Exhibit No. 5 and 6.</p>	<p style="text-align: right;">128</p> <p>1 John Edmonds 2 foregoing summons and complaint and know the 3 contents thereof and the same is true to my own 4 knowledge except as to matters therein stated to 5 be true on information and belief. And as to 6 those matters, I believe it to be true." 7 Q. Before you signed this verification, 8 did you read through the verified complaint? 9 A. Yes, I did. 10 Q. And did you agree with all of the 11 statements in the verified complaint? 12 A. My counsel prepared the complaint. 13 I obviously agreed with them because I signed the 14 complaint. 15 Q. If you turn with me to page 18 and 16 you look at the second paragraph in 18, the one 17 that says "Over a period of one year." 18 Do you see where I'm looking? 19 A. Yes. 20 Q. It says, "Over a period of one year 21 in which plaintiff's auditors attempted to review 22 the accounts for business tax year 2006, Dalton 23 was unable to supply fundamental support 24 information for the revenues or expenditures of 25 that year from the information contained in its</p>
<p style="text-align: right;">127</p> <p>1 John Edmonds 2 MR. HAYWOOD: I was wondering where 3 5 was. Okay. 5, Darren, is -- 4 MR. TRAUB: It's marked -- 5 MR. HAYWOOD: Oh, I'm sorry. 6 MR. TRAUB: I made a -- 7 MR. HAYWOOD: Okay. 8 Q. Mr. Edmonds, if you turn with me 9 first to Defendants' Exhibit No. 6, and that's 10 the complaint. And if you turn to the 11 second-to-last page in Defendants' Exhibit 12 No. 6 -- 13 A. Page numbered what? 14 Q. It actually is unnumbered. It comes 15 out to page 48. You just had your hand on it. 16 It has your signature, or what appears to be your 17 signature. The next page. The next page. 18 MR. HAYWOOD: The other way. 19 A. Yeah, uh-huh. 20 Q. Mr. Edmonds, is that in fact your 21 signature? 22 A. Yes, it is. 23 Q. And can you read the paragraph that 24 your signature is attesting to. 25 A. "I, John L. Edmonds, have read the</p>	<p style="text-align: right;">129</p> <p>1 John Edmonds 2 general ledgers. 3 "Plaintiff's auditors found Dalton 4 Management and Marks Paneth & Shron's financial 5 records for the housing developments disclosed an 6 approximately \$4 million discrepancy between 7 claimed expenses and any documented support from 8 which those figures could be verified in 2006." 9 Do you agree with that statement? 10 A. Yes, I do. 11 Q. And where are you getting the basis 12 for your -- 13 MR. HAYWOOD: Again, my objection 14 is, your question to him does he agree with 15 it -- this is received information. You 16 know -- 17 MR. TRAUB: Mel, he verified this in 18 a complaint. 19 MR. HAYWOOD: Well, to the extent 20 that that verification -- 21 BY MR. TRAUB: 22 Q. Mr. Edmonds -- 23 MR. HAYWOOD: -- is not 24 exhaustive -- 25 A. No, sir, I did not ever sign at any</p>

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	130		132
1	John Edmonds	1	John Edmonds
2	time a false statement for anyone --	2	MR. HAYWOODE: Darren, I recall
3	MR. HAYWOODE: Knowingly.	3	specifically giving you a document at the
4	A. -- okay?	4	deposition of William Jennings --
5	Q. Thank you.	5	MR. TRAUB: Mel, your statements --
6	So what is the basis for your	6	MR. HAYWOODE: -- which had this
7	signing a verified complaint that states that	7	information in it, which talked about it
8	your auditors disclose an approximately	8	and set up in categories the amount of
9	\$4 million discrepancy between the claimed	9	money.
10	expenses and any document supported from which	10	MR. TRAUB: Mel --
11	these figures could be verified in 2006?	11	MR. HAYWOODE: Now, again, that's
12	A. The basis for that statement would	12	why I'm objecting to the form of these
13	be the conferences that I had with these	13	questions --
14	auditors.	14	MR. TRAUB: But, Mel --
15	Q. Well, now, earlier when I asked you	15	MR. HAYWOODE: -- because you're
16	about the conferences that you had with the	16	trying it to what he said or may have said
17	auditors, you told me that nothing was added	17	orally, but there are papers you have which
18	substantively than is found in Defendants'	18	show it isn't so.
19	Exhibit No. 4 and that those conferences had to	19	MR. TRAUB: And the papers that you
20	do with their -- I'm sorry, your word was	20	gave us at Bill Jennings' deposition is
21	"difficulty" in obtaining papers.	21	Exhibit No. 4; is that correct?
22	MR. HAYWOODE: Objection.	22	MR. HAYWOODE: I have no
23	Not the witness' testimony as	23	recollection as we sit here what number it
24	characterized.	24	was, but I do remember the document as
25	A. Mr. Traub, let me tell you this --	25	vividly as if it were before me. And it
	131		133
1	John Edmonds	1	John Edmonds
2	Q. It's Traub with an R.	2	talked about an impact risk analysis or
3	A. Traub.	3	something like that, and it talked about
4	Q. Yes.	4	the discrepancies that you're asking him
5	A. Mr. Traub, let me tell you this: I	5	about.
6	signed this complaint. I believe it to be true	6	MR. TRAUB: Can I finish asking the
7	and that's the reason I signed it. All right?	7	witness questions?
8	Now, if you're asking me did you	8	MR. HAYWOODE: My objection to the
9	check this, did you check that, did you do this,	9	form of the question. It mischaracterizes,
10	did you look at that, did you check this, the	10	obviously, the documents that you have.
11	answer is no. I used what information I had and	11	MR. TRAUB: Let me ask my question
12	signed the complaint or this affidavit as -- as	12	again, Mel. I want you to listen to it
13	set forth in the complaint.	13	this time as well, because it has nothing
14	Q. Did your auditors orally tell you	14	to do with documents.
15	that they found \$4 million of --	15	MR. HAYWOODE: Okay. Go ahead.
16	A. I answered that question -- I've	16	BY MR. TRAUB:
17	answered that question for you a thousand times.	17	Q. My question Mr. Edmonds, is, did
18	Q. But my question specifically,	18	Cameron Griffiths & Pryce orally ever tell you
19	Mr. Edmonds, which has never been asked today,	19	that they found a \$4 million discrepancy when
20	was, did your --	20	reviewing the partnerships' books and records in
21	A. That's not true. It was asked	21	2006?
22	earlier. That same question was asked earlier.	22	A. They told me as they approach an
23	Q. The record will reflect what the	23	analysis of the problems, it would come to
24	record reflects. And that's incorrect.	24	approximately that amount of money.
25	My question for you --	25	Q. They did tell you that?

<p style="text-align: right;">134</p> <p>1 John Edmonds 2 A. I believe they did, yes. 3 Q. And which of the accountants told 4 you that? 5 A. I don't remember. I've never had a 6 meeting with an individual accountant. I've had 7 meetings with the team. 8 Q. When you turn to page 47 of your 9 verified complaint and you look at paragraph G, 10 which comprises part of your prayer for relief in 11 this action, you state that you were praying "for 12 a judgment against the defendants for money 13 damages in an amount not yet determined as such 14 damages are increasing, but in no event less than 15 \$500 million, together with costs and attorneys' 16 fees and such other further relief as this court 17 deems proper." 18 A. That's correct. 19 Q. Now, what is -- 20 A. I base that statement -- 21 MR. HAYWOODE: Had you finished your 22 question? 23 MR. TRAUB: Yes. He was answering 24 the question. 25 MR. HAYWOODE: Okay.</p>	<p style="text-align: right;">136</p> <p>1 John Edmonds 2 Q. Did you review every sentence in the 3 affidavit before you signed it? 4 A. I read the affidavit. I don't know 5 whether I reviewed every sentence, but I agreed 6 with my allegations in that affidavit. 7 Q. Before signing the affidavit, did 8 you do any independent verification of the 9 information contained in your affidavit? 10 A. What independent verification could 11 I do? They have all of the books and records. 12 Q. For instance, did you read all of 13 the contracts specified and referred to in your 14 affidavit? 15 A. I could not read all of them. I -- 16 MR. HAYWOODE: Objection. 17 Unless counsel states a time. He 18 may have read some of these things 20 years 19 ago. I don't know. You're saying did he 20 read them, what, before signing that 21 document? Is that your question? 22 MR. TRAUB: Yes. 23 MR. HAYWOODE: Did he read it at the 24 time? 25</p>
<p style="text-align: right;">135</p> <p>1 John Edmonds 2 A. What I believe to be the value of 3 the four projects as of that time. 4 Q. Has the four projects as of your 5 contention that the four projects have been 6 wholly taken from you by the defendants? 7 A. Yes. 8 Q. I'd like you to turn with me now to 9 your affidavit, which is Defendants' Exhibit 10 No. 5. And I'll start off by asking you, if you 11 look at page 27 -- 12 A. Page 24 -- yes. 13 Q. Do you recognize that signature? 14 A. Yes, I do. 15 Q. Whose signature is that? 16 A. It's my signature. 17 Q. Did you read this entire affidavit 18 before -- 19 A. Yes, I did. 20 Q. Did you actually write this 21 affidavit? 22 A. No, I did not prepare the affidavit. 23 Q. But you thoroughly reviewed the 24 affidavit? 25 A. I reviewed the affidavit.</p>	<p style="text-align: right;">137</p> <p>1 John Edmonds 2 BY MR. TRAUB: 3 Q. Before signing your document -- 4 MR. HAYWOODE: No, "before" means at 5 any time before -- 6 MR. TRAUB: Let me -- 7 MR. HAYWOODE: -- in the last 20 8 years. 9 MR. TRAUB: No, you have got to let 10 me finish my statement. 11 MR. HAYWOODE: Go ahead. 12 Q. Before signing your affidavit, did 13 you do any independent verification of the 14 language contained in here, such as reading an 15 entire agreement that's referred to in your 16 document, to determine whether or not the 17 language contained in your affidavit is in fact 18 reflected in that document? 19 A. And I'll -- 20 MR. HAYWOODE: Objection to form. 21 The witness can answer if he 22 understands the question. 23 A. I will answer in the same way that I 24 answered earlier, and that is that I reviewed the 25 affidavit. And on the basis of my review of the</p>

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<p>1 John Edmonds 2 affidavit and the information that was flowing to 3 me, I believe the complaint to be accurate and, 4 on that basis, I signed it. 5 Q. If you turn with me to page 23, and 6 specifically looking at paragraph No. 32. 7 Will you read the first sentence for 8 the record, please. 9 A. I said, "Defendant Dalton has 10 refused to produce" -- 11 Q. No, page 23, paragraph 32. 12 A. Paragraph 32. 13 "There is no provision in the 14 management agreements between defendant Dalton 15 and the partnerships to pay the salaries of 16 defendant Dalton's employees, including defendant 17 Dawley, who was paid \$140,000 in 2006 from the 18 partnerships' rent revenues." In fact, the 19 management agreement" -- 20 Q. Let's stop, just with the first 21 sentence. And you cite to an Exhibit Q; is that 22 correct? 23 A. Yeah. 24 Q. Okay. Now, when you turn to -- I 25 apologize.</p>	<p>138</p> <p>1 John Edmonds 2 you keep your finger there and you flip back to 3 Exhibit -- I'm sorry, page 23, paragraph 32, I 4 don't want you to lose the Exhibit G. 5 A. Page 23? 6 Q. Uh-huh. Again, paragraph 32. 7 A. Yeah. 8 Q. You reference paragraph 16I of the 9 Church Home Associates' management agreement. Do 10 you see where I'm looking? 11 A. I said, "See Exhibit Q," according 12 to -- 13 Q. No, keep going. 14 A. Records and reports. 15 Q. You say, "In fact, the management 16 agreements between defendant Dalton and the 17 partnerships provide," then it has "records and 18 reports," and then you cite to -- 19 A. "Including but not limited to the 20 cost of office supplies and" -- "will be borne by 21 the agent out of his own funds and will not be 22 treated as project expenses." 23 Q. So you're referring to paragraph 16I 24 of Exhibit G; is that correct? 25 A. Yes.</p>
<p>1 John Edmonds 2 Let's start this way: The 3 management agreement that you're testifying to 4 you've attached as Exhibit G. Can you turn with 5 me to Exhibit G? 6 A. Where is it? What page? 7 MR. HAYWOOD: It's in the back 8 (indicating). 9 (Pause from the record.) 10 Q. Exhibit G is a housing management 11 agreement dated January 3, 2000. This one is for 12 Church Home Associates. 13 (Witness peruses the exhibit.) 14 Q. Mr. Edmonds, am I to understand from 15 your testimony earlier that you didn't fully read 16 through this housing management agreement at the 17 time that you signed the affidavit? Is that 18 correct? 19 MR. HAYWOOD: Objection. That is 20 not the witness' testimony. 21 A. I said I read it fully, I understood 22 it, I discussed it with my counsel, and it's my 23 testimony that the allegations are correct and 24 truthful. 25 Q. Okay. If you'll turn with me -- if</p>	<p>139</p> <p>1 John Edmonds 2 Now, can you read the very first 3 clause of Exhibit I, how it begins, please. 4 A. Begins what, records and reports? 5 Q. Where it says, "Except" -- 6 A. "Except as otherwise provided in 7 this agreement." 8 Q. Let me ask you a question. 9 Before you signed your affidavit, 10 did you look to determine if there was any other 11 language in this agreement that related to 12 payment of salaries of defendant Dalton's 13 employees? 14 A. I went through this agreement, I 15 believe it to be true. And I used that 16 information and the information that I was 17 receiving from the accountants. 18 Q. Okay. If you can now turn back to 19 Exhibit -- 20 A. No -- we're not going to get 21 anywhere with this -- this case is not going to 22 turn on the basis of whether I remembered line 2 23 of page 3. It's not going to turn on that basis. 24 Q. Mr. Edmonds, do me a favor -- 25 MR. HAYWOOD: Unfortunately there</p>

<p style="text-align: right;">142</p> <p>1 John Edmonds 2 are other judges -- I forgot what I was 3 going to say. 4 MR. TRAUB: There's no question 5 pending, so there's no objection for you to 6 be making right now. 7 MR. HAYWOOD: My objection to your 8 last question, because you're referring to 9 another section of the contract and asking 10 him if he read the other section of the 11 contract. 12 And my objection is, there's no 13 foundation that whatever other section 14 you're referring to says something 15 different from what he's reading there. 16 MR. TRAUB: Mel, this is -- 17 MR. HAYWOOD: Lay the foundation 18 and then he can answer the question. 19 MR. TRAUB: Mel, when you read the 20 transcript, you'll see I didn't ask him if 21 he read a specific section. I asked him if 22 he read through any agreement to make sure 23 that no other section -- 24 MR. HAYWOOD: So you're saying any 25 other agreement anywhere?</p>	<p style="text-align: right;">144</p> <p>1 John Edmonds 2 MR. HAYWOOD: Is there any 3 particular spot, Darren, on page 5 that you 4 want him to look at? 5 MR. TRAUB: Let's look at 13B. 6 A. Page 5, 13D? 7 Q. B as in boy. 8 A. B? 9 Q. Uh-huh. 10 A. It begins by reading, "The owner 11 will reimburse the agent for compensation 12 including fringe benefits payable to frontline 13 management employees, such as a project manager, 14 clerical and bookkeeping personnel and the 15 maintenance employees, resident superintendents, 16 and the social services director, where 17 applicable, and for all security, taxes, 18 employment insurance and Workmen's Compensation 19 insurance." 20 Q. I think you skipped a part. It 21 says, "All local state and federal taxes and 22 assessments." 23 MR. HAYWOOD: I don't -- well -- 24 A. And for all local, state and federal 25 taxes and assessments, yes.</p>
<p style="text-align: right;">143</p> <p>1 John Edmonds 2 MR. TRAUB: My question was, did he 3 read through this agreement -- it says, 4 "Except as otherwise provided in this 5 agreement." 6 My question was, did he read through 7 that agreement to make sure there was no 8 other section that related to his 9 statements in paragraph 32. 10 MR. HAYWOOD: And his answer -- 11 MR. TRAUB: And his -- 12 MR. HAYWOOD: -- was, I went 13 through it. 14 MR. TRAUB: His answer was, I went 15 through it, correct. 16 BY MR. TRAUB: 17 Q. Now, I'm asking you, please, to turn 18 back to Exhibit G. 19 A. What page is Exhibit G? 20 Q. It's one where you should be holding 21 your finger on. 22 THE WITNESS: Is this G? 23 MR. HAYWOOD: Yes. 24 Q. And specifically if you'll turn with 25 me to page 5 of Exhibit G.</p>	<p style="text-align: right;">145</p> <p>1 John Edmonds 2 Q. And then it continues. You can 3 continue, please. 4 A. "Such reimbursements will be paid 5 out of the rental agency's account and will be 6 treated as project expenses. For this purpose, 7 the rental value of any dwelling unit furnished 8 rent-free to the resident superintendent will not 9 be considered a part of his compensation, but 10 will be treated as a project expense." 11 Q. And Mr. Edmonds, had you read this 12 paragraph before you signed -- 13 A. Yes, I did. 14 Q. -- the affidavit -- 15 A. Yes, I did. I'll repeat. I read 16 all of the paragraphs. I read with the 17 assertions I've made here. 18 Q. Paragraph 13B, though, specifically 19 states that "The owner," which is the project 20 owner, in this case I believe it's Church Homes 21 because that's this management agreement, "will 22 pay out of their rental agency account for 23 compensation" -- 24 A. That was an agreement -- 25 Q. Hold on, Mr. Edmonds. Let me finish</p>

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	146		148
1	John Edmonds	1	John Edmonds
2	my statement. You're interrupting.	2	MR. TRAUB: No, you're entitled to
3	-- "for compensation payable to	3	make objection to form, period. You're not
4	frontline management employees."	4	entitled to make an argument or a
5	That seems to state that the owner	5	suggestion. And if you continue doing
6	will pay for, directly out of his rental agency	6	this, Mel, if you continue acting like
7	account, the salary of Dalton's employees, does	7	this, we're going to have to involve the
8	it not?	8	court. Because this is not appropriate
9	MR. HAYWOOD: Objection.	9	under the federal rules.
10	There's no foundation in what you	10	MR. HAYWOOD: Once again, I made no
11	just read for the question that you just	11	argument for the record. I made no legal
12	put.	12	argument. I simply pointed out where the
13	BY MR. TRAUB:	13	form objection lies; that's it.
14	Q. Mr. Edmonds, does it not?	14	MR. TRAUB: I'll cite you one more
15	A. Yes. And that's -- that's this	15	time, "An objection must be stated
16	citation reflects for me and the reason it's	16	concisely, in a nonargumentative and
17	cited here is the quality of abuse that the	17	nonsuggestive manner."
18	Seaveys have done in this case? If they	18	There's nothing in there about legal
19	made the arrangement to do this, then that,	19	or anything. Your objection is both
20	arrangement must have been made with his nephew.	20	argumentative and suggestive and,
21	Q. Okay. If you'll turn with me --	21	therefore, opposite to what is provided in
22	MR. HAYWOOD: For the record,	22	the federal rules.
23	Darren, are you saying that 13B says	23	So I don't need a response from you.
24	something different from the first	24	There's no question pending to Mr. Edmonds,
25	paragraph?	25	and that's who my questions are going to
	147		149
1	John Edmonds	1	John Edmonds
2	MR. TRAUB: Mel, I'm not	2	today.
3	responding -- again, I'm not here for a	3	BY MR. TRAUB:
4	deposition. And there's no question	4	Q. Mr. Edmonds, if you'll turn with me
5	pending on the table, Mel.	5	to paragraph 2 -- I'm sorry, page 2, paragraph 3
6	MR. HAYWOOD: Well, the question	6	of your affidavit, which is Exhibit No. 5.
7	presupposes that there's some difference --	7	Do you see where I'm looking?
8	MR. TRAUB: Mel.	8	A. Yes.
9	MR. HAYWOOD: -- between the two	9	Q. You state that "Since May 16, 2007,
10	paragraphs.	10	more than one year ago, defendant Dalton and the
11	MR. TRAUB: What you're doing right	11	other defendants named herein have repeatedly,
12	now is inappropriate.	12	persistently and without explanation or cause
13	MR. HAYWOOD: Note my objection to	13	refused to produce to plaintiff and his auditors
14	form.	14	the financial records in their possession in
15	MR. TRAUB: The question was asked	15	connection with defendant Dalton's management and
16	and it was answered. There was no question	16	operation of the partnerships' housing
17	pending for you to object to. Once again,	17	developments named herein in which plaintiff is a
18	Mel, your objection is inappropriate under	18	managing general partner and has substantial
19	the federal rules, and I need you to please	19	financial interest and ownership in these
20	conduct yourself in accordance with those.	20	properties."
21	MR. HAYWOOD: Again, my objection	21	Do you see where I'm reading?
22	for the record is as to form.	22	A. Yes.
23	MR. TRAUB: That's it.	23	Q. Isn't it true, though, that your
24	MR. HAYWOOD: The question	24	auditors were at defendant Dalton for almost six
25	presupposes a different between the two --	25	months obtaining and reviewing records and

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<p>1 John Edmonds 2 documents? 3 MR. HAYWOODE: Objection to the form 4 as to what is meant by at the auditors for 5 almost six months. 6 MR. TRAUB: At Dalton. 7 MR. HAYWOODE: At them for six 8 months? Did they reside with them? I 9 mean, I don't know. 10 MR. TRAUB: Mel, your objection -- 11 MR. HAYWOODE: That's my objection 12 as to form. 13 MR. TRAUB: Thank you. 14 MR. HAYWOODE: What does that 15 question mean? 16 MR. TRAUB: You're entitled to say 17 objection to form; that's it. 18 A. I answered that question before for 19 you, too, and I'll answer it again. 20 I said that the auditors reported to 21 me orally that they were having a very, very 22 difficult time getting books and records that 23 they require to do their audit from Dalton 24 Management, and that Dalton Management had a 25 setup that impeded or blocked that information.</p>	<p>150</p> <p>1 John Edmonds 2 (Defendants' Exhibit 7, 6/22/07 3 Letter to variety of people from John 4 Edmonds with attachments, marked for 5 identification.) 6 BY MR. TRAUB: 7 Q. Mr. Edmonds, do you recognize 8 Defendants' Exhibit No. 7? 9 A. Yes, I do. 10 Q. Is this a letter that you sent on 11 June 22, 2007? 12 A. That's correct. 13 Q. Will you please read the last 14 paragraph on the first page. 15 A. "I have been informed by my 16 accountants, who I have directed to examine the 17 books and records of all of the developments that 18 Edmonds and Seavey or the Seavey organization 19 have an interest in, that every effort to 20 frustrate the examination of the books and 21 records are being made. 22 Books and records not available due 23 to vacation of an employee and/or books and 24 records available only at the site on Saturday. 25 This will not deter my efforts herewith."</p>
<p>1 John Edmonds 2 And that setup was that Nealle would 3 sit there at the table. And when they would ask 4 for A, B or C, she would indicate whether it was 5 available or not. And if it were not available, 6 and they insisted upon it, she would then turn to 7 her mother, Phyllis, and Phyllis would then make 8 a decision. And that decision was that, Look, 9 this is all you're going to get from us. 10 Q. But you'll agree that they did get 11 something, didn't they? 12 MR. HAYWOODE: Objection. 13 A. Yeah, I guess they got something 14 because they -- for one year, for 2006. 15 Q. They certainly made enough -- got 16 enough books and documents to write their report 17 that's Defendants' Exhibit No. 4; is that 18 correct? 19 A. A report that reflects that 20 experience for the year of 2006, examination of 21 the records for the year of 2006. 22 Are you suggesting, sir -- 23 MR. TRAUB: Let's mark this as 24 Defendants' Exhibit No. 7, please. 25</p>	<p>151</p> <p>1 John Edmonds 2 Q. And then you continue and you 3 threaten -- you state -- I apologize. You state 4 that the examination is necessary to support the 5 RICO lawsuit which you're proposing to file; is 6 that correct? 7 A. That's correct. 8 Q. And in fact, you threaten that you 9 will -- if you don't get the documents, that you 10 will call the office of the U.S. Attorney to 11 request that their office direct the IRS to 12 conduct an investigation; is that correct? 13 A. That's correct. 14 MR. HAYWOODE: I'm sorry. May I 15 interrupt you for just a moment? You had 16 graciously said that we might do the 17 deposition here Monday, rather than at the 18 court? 19 MR. TRAUB: Yes. 20 MR. HAYWOODE: So that perhaps we'll 21 do it that way for the benefit of the 22 witnesses so they don't wind up going -- 23 MR. TRAUB: Okay. 24 MR. HAYWOODE: Please go ahead. 25 MR. TRAUB: Remind me at the end so</p>

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<p style="text-align: right;">154</p> <p>1 John Edmonds 2 we can book an appropriate conference room. 3 A. Yes, I made that statement because I 4 knew that -- that the Internal Revenue Service 5 previously investigated Seavey's tax filings. 6 Q. Do you know what the outcome of that 7 investigation was? 8 A. Yeah, they -- they noticed Seavey 9 that they would not proceed, but that he would be 10 required to notice everyone with an interest in 11 the partnership that -- that they had looked at 12 his books and records. 13 So for me it would have meant that 14 maybe his accountants were smart enough or 15 experienced enough or had enough influence in the 16 IRS to permit Seavey to escape. 17 Q. So you think that the Seaveys' 18 accountants had some influence over the IRS that 19 allowed them to escape? 20 A. Well, yeah, I think, obviously, the 21 accountants or Seavey had that quality of 22 influence. 23 Q. Okay. 24 MR. HAYWOOD: Once again, Darren -- 25 MR. TRAUB: Could you mark this as</p>	<p style="text-align: right;">156</p> <p>1 John Edmonds 2 A. First of all, it doesn't -- it 3 doesn't mention Seavey at all, this letter 4 doesn't. 5 Q. If you look at the re line, it's 6 Fifth and 106th Associates, is it not? 7 A. Yes. 8 Q. So is it your testimony about the 9 IRS -- it was your understanding that the IRS did 10 an audit, but -- so is it your testimony then 11 that it's this letter that was procured by the 12 influence of Marks Paneth & Shron over the IRS? 13 A. Yeah, I believe so, yes, I believe 14 that that Marks Paneth & Shron have that kind 15 of relationship. They're a firm that's, what, 40 16 or 50 years old, and they deal with the Internal 17 Revenue Services all the time. And you know, 18 they -- you identify, you know, who you can deal 19 with. 20 Q. And going back -- 21 A. But I mean, the issue is whether or 22 not they required Seavey to give notice to all of 23 the interested parties in the partnerships. You 24 have that letter? 25 Q. Give notice of what, Mr. Edmonds?</p>
<p style="text-align: right;">155</p> <p>1 John Edmonds 2 Exhibit 8. 3 MR. HAYWOOD: Your phone number. 4 MR. TRAUB: (212) 592-1578. 5 (Defendants' Exhibit 8, 10/26/06 6 Letter from the IRS to Jennings with 7 attachment, marked for identification.) 8 MR. TRAUB: This will be Exhibit 8. 9 MR. HAYWOOD: This is 8. 10 BY MR. TRAUB: 11 Q. Mr. Edmonds, I've given you what's 12 marked as Defendants' Exhibit No. 8. Have you 13 seen this document before? 14 A. I don't remember seeing it, no. 15 Q. This document at least purports to 16 be a letter dated October 26, 2006, from the IRS. 17 Do you see that? And the very first line says, 18 "I've completed the examination of your return 19 for the year shown above" -- and the tax year 20 shown above is December 31, 2003 -- "and I am 21 pleased to inform you I'm proposing no change to 22 your tax return." 23 And so is it your testimony that you 24 believe that this letter was obtained by 25 influence?</p>	<p style="text-align: right;">157</p> <p>1 John Edmonds 2 A. Notice of the fact that his -- that 3 the 2003 return for Fifth and 106th Street 4 Associates had been -- had been reviewed by the 5 IRS and a decision had been made to accept the 6 return. 7 Q. So is it -- 8 A. Accept the return, but that Seavey 9 would be required -- and that's what he said in 10 his letter -- be required to notice all of the 11 parties interested in the partnerships of that 12 fact. 13 Q. Where in Defendants' Exhibit No. 8 14 does it state that the IRS is compelling 15 Mr. Seavey to give notice? 16 A. It does not -- it does not in any 17 way state -- make that statement; but I do know 18 that Seavey sent a letter and said in his letter 19 that the government -- in response to the IRS 20 review of the -- of the return for Fifth and 21 106th Street Associates requires that I notice 22 you of the fact that the return had been 23 investigated. 24 Q. So you didn't get notice 25 that the return had been investigated?</p>

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	158		160
1	John Edmonds	1	John Edmonds
2	A. Yeah, from Seavey.	2	that he could bring a lawsuit to force the sale.
3	Q. Okay. Going back --	3	And I said, Well, you know, that's
4	A. You --	4	up to you.
5	Q. Going back --	5	Then subsequent to that, on an
6	A. Do you agree with that, that Seavey	6	occasion that I was down in Florida, I got about
7	sent such a notice out?	7	ten calls from Abe Mordowitz indicating that he
8	Q. Mr. Edmonds, going back to	8	was going to proceed in this lawsuit. He never
9	Defendants' Exhibit No. 7 --	9	did.
10	A. Go ahead.	10	And my conclusion was that Abe
11	Q. The great part, Mr. Edmonds, about	11	Mordowitz was never a legitimate purchaser, but a
12	you being the plaintiff and me being the attorney	12	front man for Bob Seavey in connection with the
13	is that I get to take the --	13	ownership of that property.
14	A. You're back to --	14	I want to repeat for you that that
15	Q. Back to Defendants' Exhibit No. 7.	15	property is the most valuable piece of property
16	And looking again at the bottom paragraph, you	16	of the partnerships; that I had been told that
17	state that "Edmonds and Seavey; or the Seavey	17	the property could add an additional 100 units on
18	organization" -- they're frustrating your	18	the Fifth Avenue side because it was underzoned
19	auditors' examination because of vacation of an	19	when built.
20	employee and books and records available only at	20	MR. TRAUB: I'm going to move to
21	the site on Saturday; is that correct?	21	strike all of that as nonresponsive to my
22	A. That's what I was told.	22	question.
23	Q. Did you ever inform the Seaveys in	23	BY MR. TRAUB:
24	writing that Nealle and Phyllis Seavey were not	24	Q. Mr. Edmonds, if you turn back with
25	providing all of the documents to your	25	me to Defendants' Exhibit No. 5, page 3, turn
	159		161
1	John Edmonds	1	John Edmonds
2	accountants?	2	with me to Paragraph No. 5.
3	A. I believe I did. It may have been	3	A. Paragraph Number 5 in what?
4	an oral notification, but I think I probably sent	4	Q. Defendants' Exhibit No. 5, your
5	them a letter.	5	affidavit.
6	Q. Okay.	6	A. Where?
7	A. This had to do with -- this letter	7	Q. Right in the middle of that
8	had to do with the alleged interest of Abe	8	paragraph, there's a sentence that begins,
9	Mordowitz, a lawyer, in his effort to purchase	9	"However, their attempt to audit the 2006
10	the property of Fifth and 106th Street, at	10	financial records of defendant Dalton."
11	106th and Fifth Avenue.	11	MR. HAYWOOD: I'm sorry, Darren.
12	We went to a closing. Bob was at	12	Where is this?
13	the closing. We were going through the	13	MR. TRAUB: Page 3, paragraph 5.
14	contract -- and in fact, the contract might have	14	THE WITNESS: He keeps going back to
15	been signed. I think we did sign some	15	that same --
16	documents -- and then Bob's son-in-law, who was	16	MR. HAYWOOD: Must be a pony in
17	there representing the Seaveys, said, "Let's	17	there somewhere.
18	review this again," et cetera.	18	Q. You could probably rest assured that
19	And at this point, Seavey then got	19	you can keep that on your knee for quite some
20	up and said that he had to leave because he had	20	time. We're going to go through every paragraph
21	not eaten and that his diabetes was beginning to	21	on this page -- on this document.
22	bother him and he felt very faint. So he left.	22	You have in there, "However, in the
23	Subsequent to that, I got a series	23	attempt to audit the 2006 financial records of
24	of calls from Abe Mordowitz, who said to me that	24	defendant Dalton, plaintiff's auditors" --
25	he had deposited with Seavey \$3.8 million and	25	MR. HAYWOOD: Paragraph 5?

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	162		164
1	John Edmonds	1	John Edmonds
2	MR. TRAUB: Paragraph 5.	2	\$7,500,000 of expenses in general ledgers."
3	THE WITNESS: Yes.	3	The question is --
4	MR. KELLY: Slow down.	4	A. That's right.
5	MR. HAYWOOD: Of the what?	5	Q. -- where are you getting the
6	MR. TRAUB: Do you see where it says	6	\$7,500,000 number?
7	"However"?	7	A. I'll repeat, the accountants -- the
8	THE WITNESS: Yeah, here.	8	accountants, in oral discussions in their office,
9	MR. HAYWOOD: You see it?	9	gave me that information.
10	THE WITNESS: Yes.	10	Q. Okay.
11	BY MR. TRAUB:	11	MR. HAYWOOD: Let the record also
12	Q. "However, in their attempts to audit	12	show documents were produced showing that
13	the 2006 financial records of defendant Dalton,	13	analysis by the accountants. I think the
14	plaintiff's auditors found no records to support	14	record showed more from different analyses
15	approximately \$7,500,000 of expenses in its	15	at different dates.
16	general ledgers for its management and operation	16	MR. TRAUB: Mel, again, your
17	fee of the partnership housing development."	17	testimony is not what we're here for today.
18	Mr. Edmonds, what is the basis for	18	MR. HAYWOOD: I'm pointing to the
19	your \$7,500,000 figure?	19	record that you have documents in your
20	A. The basis would be the reports and	20	possession which would substantiate --
21	the oral interviews that I had with -- with the	21	MR. TRAUB: Mel, this is my
22	accountants.	22	deposition --
23	Q. Again, earlier today, I asked you	23	MR. HAYWOOD: -- what you're
24	was there anything in one of the oral interviews	24	asking.
25	you had with the accountants that changed or	25	MR. TRAUB: -- transcript and you
	163		165
1	John Edmonds	1	John Edmonds
2	modified or somehow amended the investigation	2	are not entitled to make notes on it, nor
3	report that we've discussed earlier and that's	3	are you entitled to testify on it.
4	been marked as Defendants' Exhibit No. 4, and you	4	MR. HAYWOOD: The documents will
5	told me no.	5	speak for themselves.
6	A. I repeat, then.	6	BY MR. TRAUB:
7	Q. Where in Defendants' Exhibit No. 4,	7	Q. Mr. Edmonds, you cite for this
8	which is the 12/12/2007 investigation report, do	8	paragraph Exhibit E.
9	you find the basis to support a \$7,500,000	9	A. Yeah. Where is that?
10	figure?	10	Q. It's attached to your affidavit as
11	A. The basis to support that allegation	11	Exhibit E.
12	is in the first sentence, "Defendants Dalton and	12	A. Yes, it's Exhibit E.
13	Marks Paneth & Shron's refusal to provide	13	Q. Do you see that?
14	plaintiff's auditors with the financial records	14	A. Yeah.
15	of the partnership housing developments have	15	Q. What is Exhibit E?
16	caused them to be unable to complete an audit for	16	A. It's the -- it says, "Combined
17	even one year of the ten years that defendant	17	financial summary for the period ended
18	Dalton has been managing and operating housing	18	December 2006."
19	developments. See Exhibit A.	19	Q. Do you know who provided this
20	"However, in their" --	20	combined financial summary to you?
21	Q. That's not --	21	A. The auditors.
22	A. What's that?	22	Q. Do you know who prepared this
23	Q. That's not what you state here.	23	combined financial --
24	What you state here is "In their attempt to	24	A. No, I do not.
25	audit, they found no records to support	25	Q. If you turn to paragraph 6, you

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<p style="text-align: right;">166</p> <p>1 John Edmonds 2 state that "The defendants are" -- and I'm 3 quoting -- "depriving plaintiff" -- being you -- 4 "of this financial and ownership interest in the 5 partnerships while the defendants named herein 6 are reaping enormous and personal financial 7 gains."</p> <p>8 A. Absolutely true.</p> <p>9 Q. How are the defendants depriving you 10 of your ownership interest in the partnerships?</p> <p>11 A. By refusing my participation in the 12 decision-making of the projects and by having 13 exclusive and sole control of these projects and 14 using their management company, Dalton Management 15 Company, owned by Phyllis, to disregard any 16 requests that I make.</p> <p>17 Q. And what ownership -- withdrawn. 18 What is the basis for your statement 19 that Phyllis is the owner of Dalton Management 20 Company?</p> <p>21 A. Every time I talk to Phyllis or to 22 any of the Seaveys, including Bob, and Phyllis 23 will, in my recollection, state to me that she is 24 the owner. That's how she identifies herself, I 25 am the owner.</p>	<p style="text-align: right;">168</p> <p>1 John Edmonds 2 her interest, which I think was 2 or 3 percent. 3 Q. You say, "Plaintiff is a managing 4 general partner of the Lakeview partnership and 5 owns a 9 percent interest in that partnership." 6 A. That's the basis upon which I made 7 that statement, is what -- the information that 8 Seavey had given me. 9 Q. And is that what you understand 10 yourself to own and to be? 11 A. That's correct. 12 Q. I'm going to hand you what's been 13 marked as Defendants' Exhibit No. 9. 14 (Defendants' Exhibit 9, Agreement 15 for Purchase and Sale of Partnership 16 Interest, marked for identification.) 17 Q. And also what's being marked as 18 Defendants' Exhibit No. 10. 19 (Defendants' Exhibit 10, Second 20 Amended Agreement of Limited Partnership of 21 Fifth and 106th Street Associates, L.P., 22 marked for identification.) 23 BY MR. TRAUB: 24 Q. Mr. Edmonds, Defendants' Exhibit 25 No. 9, it's an agreement for purchase and sale of</p>
<p style="text-align: right;">167</p> <p>1 John Edmonds 2 Everybody else has -- has an 3 interest, but I think that the way in which the 4 Seaveys had worked it out, I think Phyllis owns 5 52 percent of the company. She doesn't call 6 herself chairman or anything. She says, I'm the 7 owner. And the other percentages are controlled 8 by Avery in a partnership called ABN -- I think 9 ABNS; Avery, Bob, Nealle Seavey.</p> <p>10 Q. Turn with me to page 6. It's 11 paragraph 12 of your affidavit.</p> <p>12 MR. TRAUB: This is going to be 9 13 and this will be 10.</p> <p>14 Q. Mr. Edmonds, in this paragraph, it 15 refers to Lakeview partnership. You state that 16 you own a 9 percent interest in the partnership 17 and you describe that interest as a managing 18 general partner; is that correct?</p> <p>19 A. I don't describe the interest as 20 managing. I say I am a managing general partner. 21 I say further, I believe, that the managing 22 general partners own 18 percent. But I've been 23 informed by Bob Seavey -- we originally I think 24 owned 7 percent each, but Bob arranged to 25 purchase from one of the relatives of the Singers</p>	<p style="text-align: right;">169</p> <p>1 John Edmonds 2 partnership interest. 3 Have you seen this document before? 4 A. I may have, yeah. I think I may 5 have seen it. 6 Q. If you turn to page 5 and the 7 Exhibit A and B, do you recognize your signature? 8 A. Yes, I do. 9 Q. This agreement for purchase and sale 10 of partnership interest is an agreement whereby 11 you are selling your partnership interest in 12 Fifth and 106th Street to BNA Realty Company, 13 LLC; is that correct? 14 A. Yes, Bob Seavey and -- 15 Q. If you turn to page 2, the very top 16 of page 2, it says, under little z, that "The 17 balance of Edmonds' interest in the partnership 18 (1.2 percent), which is now converted at this 19 time to a limited partnership interest, however, 20 the assignment of which shall not be effective 21 until Edmonds' death." 22 Do you see that? 23 A. Yes. 24 Q. Then in connection with that, a 25 second amended agreement of limited partnership</p>

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<p>1 John Edmonds 2 of Fifth and 106th Street Associates was signed; 3 is that correct? And that's what's been given to 4 you as Defendants' Exhibit No. 10. 5 A. Yes. That's the agreement Bob -- 6 Q. If you look at -- 7 A. Yes, that's the agreement that Bob 8 Seavey went out to -- to Mineola and removed so 9 that there would be no record of this agreement. 10 And the reason he went to Mineola was that the 11 original partner had filed this partnership in 12 Nassau County.</p> <p>13 Q. If you turn to paragraph 3 on page 3 14 of this agreement, it states that "Edmonds' 15 7.5 percent partnership interest is assigned, 16 transferred and conveyed to BNA so that BNA shall 17 have a 6.2 percent of said 7.5 percent interest 18 in the partnership as a general partner and 19 Edmonds shall retain and does retain 1.2 percent 20 of his former 7.5 percent partnership interest as 21 a limited partner."</p> <p>22 And then on page 5, it appears to 23 have your signature; is that correct?</p> <p>24 A. Yes. 25 Q. And the signatures of, in fact, all</p>	<p>170</p> <p>1 John Edmonds 2 And Seavey, when I told him that I 3 was prepared to do that, he instructed me to 4 place the check back in the Chase account and 5 endorse it for -- I think the letter was CL -- 6 client number so and so and so, and put it in the 7 account. And that's exactly what I did. 8 Q. Can you show me where in the second 9 amended agreement of limited partnership of Fifth 10 and 106th Street Associates, L.P. provides that 11 when you repay the money, you'll be put back in 12 as --</p> <p>13 A. No. 14 Q. -- managing partner? 15 A. No, I can't. I can't. And 16 that's -- but I repaid the money. And I don't 17 think Seavey can take the position that, yeah, we 18 got the money back, but you're still out. 19 I think that's a ridiculous position and I doubt 20 that he would take it in any set of 21 circumstances. 22 Do you deny that I repaid the money? 23 Q. Going back to -- 24 A. Answer my question. Do you deny 25 that I repaid the money?</p>
<p>1 John Edmonds 2 of the partners in Fifth and 106th Street? 3 A. That's correct. 4 Q. Do you know of any amendment to the 5 partnership agreement of Fifth and 106th Street 6 Associates that came after this second amended 7 agreement? 8 A. I know of no amendment. I do know 9 that the amounts of monies that is being cited 10 here were repaid to the partnership. Seavey had 11 set up a situation in Chase Bank where 12 \$1.7 million of \$3 billion was in his name and 13 1.3 in mine. 14 Those monies are the monies that 15 I've repeated to you several times were the 16 6 percent fee that the partners are entitled to 17 while operating the project in a positive 18 fashion. 19 I was given a certain date to pay 20 that money. I did not make that date, but I paid 21 the money later. As a matter of fact, I called 22 Bob Seavey and told him that I was prepared to 23 pay it, and I paid it with the highest legal 24 rate, I think it was 16 percent, back to the 25 partnership in order to redeem my position.</p>	<p>171</p> <p>1 John Edmonds 2 Q. Going back to Defendants' Exhibit 3 No. 5, which is your affidavit, looking at 4 paragraph 13 discussing Logan Plaza, you are in 5 fact a 50 percent owner of Logan Plaza; is that 6 correct? 7 A. That's correct. 8 Q. Prior to Dalton taking over as the 9 management company of Logan Plaza in 2000, had 10 you ever received a distribution for your 11 ownership interest in Logan Plaza? 12 A. No. There -- there were no 13 distributions at Logan Plaza till such time as we 14 purchased the project. In other words, the 15 project was -- the limited part of the project as 16 I recall was the Boston Financial organization. 17 They told Avery Seavey that they 18 were getting out of the business of having an 19 interest in the affordable housing area and that 20 it would be available for sale. 21 Avery and I then negotiated with 22 them. They agreed to accept from us each 2 23 point, I think it was -- no. They agreed to 24 accept \$640,000 each, from Avery and from me. And that -- the Logan Plaza, being an 80/20</p>

<p style="text-align: right;">174</p> <p>1 John Edmonds 2 situation, HVC then stepped in, took control of 3 the mortgage and I believe paid out Boston 4 Financial for its participation. 5 MR. TRAUB: This as Number 12, 6 please. 7 (Defendants' Exhibit 11, Amended and 8 Restated Certificate of Limited Partnership 9 of Charles H. Housing Associates, marked 10 for identification.) 11 BY MR. TRAUB: 12 Q. Mr. Edmonds, if you look at 13 paragraph 14 of your affidavit concerning Charles 14 Hill Associates, you testified that you own 15 25 percent interest in that partnership; is that 16 correct? 17 A. That's correct. 18 Q. Is that your understanding of your 19 ownership interest in Charles Hill? 20 A. That's correct. 21 Q. I've given you what's been marked as 22 Defendants' Exhibit No. 11, which is the amended 23 and restated certificate of limited partnership 24 of Charles H. Housing Associates. 25 (Witness peruses the exhibit.)</p>	<p style="text-align: right;">176</p> <p>1 John Edmonds 2 Schedule A, it says capital contribution, you 3 made \$100. It says your interest in the 4 operations is 1 percent and your interest in 5 capital transactions is 24.745 percent. 6 A. That's correct. 7 Q. And that actually the investor 8 limited partner, Charles Hill Tower Associates, 9 has 98 percent of the interest in the operations. 10 Is that correct? 11 A. That's what it says here. 12 Q. Did you -- 13 A. I only know that the investor 14 limited partner purchased for himself and his 15 company that 50.51 percent and that the general 16 partners purchased, by the payment of 17 \$2.1 million each, the 24.745 percent. 18 Q. So you purchased, am I correct, the 19 mortgage actually on this property? 20 A. That's correct. 21 Q. So you get 25 percent of all 22 mortgage payments on this property? 23 A. That's correct. 24 Q. But you actually own a 1 percent 25 interest in the ownership on this property?</p>
<p style="text-align: right;">175</p> <p>1 John Edmonds 2 Q. Is Charles H. Housing Associates the 3 same as your Charles H. Hill Associates 4 partnership? 5 A. Charles H. Housing Associates are 6 the owners of Charles H. 7 Q. And if you turn to page 47 -- 8 MR. HAYWOOD: I'm sorry, did the 9 witness finish? 10 Are the owners of Charles H., the -- 11 THE WITNESS: Yes, the real 12 estate -- Charles H. is the -- is the real 13 estate. 14 MR. HAYWOOD: Uh-huh. 15 Q. Now, Mr. Edmonds, if you turn to 16 page 47 -- 17 A. Yeah. 18 Q. -- it lays out all of the different 19 ownership interests in this partnership. It 20 provides that you have a 1 percent interest in 21 the operations of the partnership; is that 22 correct? 23 A. What does that mean, "a 1 percent 24 interest in the operations"? 25 Q. Well, if you're looking at</p>	<p style="text-align: right;">177</p> <p>1 John Edmonds 2 A. No, I own a 25 percent interest in 3 the ownership of this property. Why would I own 4 a 1 percent interest in the property when -- when 5 I've paid for 25 percent interest? 6 Q. Do you know -- 7 A. Why would I do that? 8 Q. Do you know of any other document 9 other than the one that I've given you that sets 10 forth the ownership interest of Charles Hill 11 partnership? 12 A. I can't think of one. 13 Q. Turning back to your Defendants' 14 Exhibit No. 5, which is your affidavit -- 15 (Discussion off the record between 16 the witness and his counsel.) 17 Q. -- looking at paragraph 20, which is 18 on page 9 of your affidavit -- 19 (Pause from the record.) 20 Q. -- you state that "On or about the 21 summer of 2005, reliable employees of the 22 partnerships' housing developments communicated 23 to plaintiff that excessive costs were being 24 incurred by the partnerships' housing 25 developments as a result of the contracts</p>

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<p style="text-align: right;">178</p> <p>1 John Edmonds 2 defendant Dalton had entered into on behalf of 3 the partnerships' housing developments, as well 4 as to the improper management and operation of 5 the partnerships' housing developments by 6 defendant Dalton."</p> <p>7 A. Yes.</p> <p>8 Q. Which employees?</p> <p>9 A. Basically they were the -- the 10 employees who did the work at the development, 11 who clean, made the repairs and so forth and so 12 on. They told me that -- that Phyllis had made 13 an arrangement with a company someplace in Long 14 Island that required them to spend about three to 15 four hours a day to go out there to get materials 16 that they might need to service the tenants and 17 that they didn't understand that since the 18 largest supplier of equipment, plumbing, 19 electrical, et cetera, was right at 20 86th Street -- 88th Street and Third Avenue 21 and within 15 to 20 minutes they could go down 22 and order their material. And they said that 23 this company would deliver any materials that 24 they needed within 24 hours.</p> <p>25 And beyond that, they said that this</p>	<p style="text-align: right;">180</p> <p>1 John Edmonds 2 relevant to this action? 3 A. Well, when that comes, if it's 4 necessary, I'll consider whether I should call 5 any of them. 6 Q. Actually, Mr. Edmonds, it's 7 necessary right now for you to either disclose -- 8 A. It isn't necessary for me to 9 disclose it. I'm not going to disclose it, and 10 I've told you that before. 11 Q. You don't have to raise your voice. 12 A. Well, I do because you don't seem to 13 understand me. 14 Q. And you don't have to point to me 15 either. 16 A. Yes, I do because you don't seem to 17 understand me. 18 MR. HAYWOOD: Counsel, I suggest 19 you make a motion for a ruling on this. 20 MR. TRAUB: I'm trying to avoid 21 making unnecessary motions when Mr. Edmonds 22 brought this lawsuit on the basis of 23 statements from, quote-unquote, reliable 24 employees, but is now refusing to -- 25 THE WITNESS: I didn't bring the</p>
<p style="text-align: right;">179</p> <p>1 John Edmonds 2 was the company who supplied these materials 3 originally and there was no issue, no question of 4 them not having the particular piece of pipe or 5 electrical fixture, et cetera, that they needed 6 to make a repair.</p> <p>7 Q. Do you remember the name of any of 8 the employees that told you this?</p> <p>9 A. I don't. I don't wish to disclose 10 any names as I fear that they would be, they 11 would be punished in the strong and determined 12 way that Phyllis Seavey has.</p> <p>13 Q. Mr. Edmonds, while I recognize that 14 you may not want to disclose the names -- 15 A. I haven't answered the question. 16 I'm not going to. Okay? 17 Q. On the record, are you refusing to 18 state the basis for your paragraph 20?</p> <p>19 A. No, no. I've set forth in plain 20 language what the basis of paragraph 20 is. I've 21 said I decline to name the individual employees 22 because I don't want them fired or put out of 23 work.</p> <p>24 Q. What about deposed in this action; 25 don't you think that their testimony would be</p>	<p style="text-align: right;">181</p> <p>1 John Edmonds 2 lawsuit on the basis -- that was a part of 3 the information that I received from 4 various sources. All right? And that's 5 the basis of my bringing the lawsuit and 6 the fact of the kind of control that the 7 Seaveys have exercised over these 8 properties.</p> <p>9 MR. TRAUB: Again, Mr. Edmonds, I've 10 asked you not to raise your voice. 11 MR. HAYWOOD: And I object to 12 characterizing his voice as being raised. 13 I've heard him much louder. 14 THE WITNESS: That's absolutely 15 correct. You should be in court with me 16 one day -- 17 MR. TRAUB: I plan on it. 18 THE WITNESS: -- on opposite sides 19 and you'll see how I raise my voice. 20 MR. TRAUB: I plan on it soon. 21 MR. HAYWOOD: Counsel, nationwide 22 we have a whistle-blower problem. There 23 are regulations that pertain to that. And 24 that's why I think it should be relegated 25 to a motion. I think any court would</p>

<p style="text-align: right;">182</p> <p>1 John Edmonds 2 understand at least the logic of what 3 Mr. Edmonds is saying. To the extent we 4 offer it as proof in a trial, that's 5 another issue.</p> <p>6 BY MR. TRAUB: 7 Q. Mr. Edmonds, turning to paragraph 23, you state that the auditor's review of Dalton's financial records --</p> <p>10 A. What page is that? 11 Q. Page 10. 12 A. I state which?</p> <p>13 MR. KELLY: I'm missing 10 in mine. 14 MR. TRAUB: Paragraph 23, page 10. 15 MR. HAYWOOD: I don't have 10 either.</p> <p>17 MR. KELLY: It goes to 11 and then 18 10. One page out of order.</p> <p>19 MR. TRAUB: You can take off the 20 binder and switch the pages --</p> <p>21 MR. KELLY: Oh, thanks. 22 MR. TRAUB: -- if you want to put 23 them back in order.</p> <p>24 MR. HAYWOOD: You wanted something 25 to do; right?</p>	<p style="text-align: right;">184</p> <p>1 John Edmonds 2 deals. For instance, the garage was an 3 example, that contract with that garage operator 4 gives him the right to operate that garage at a 5 fee substantially below what the fees ought to 6 be. 7 And it also gives him the right 8 that, in the event that the project is disposed 9 of, that he continues to operate the garage and 10 that if he at any time decided that he didn't 11 want to operate it further, that he would have 12 six months to make up his mind and go from there. 13 And I'm saying that the Seaveys, by 14 doing that, and having this garage operator enter 15 into an agreement with ABNS, then they -- that 16 they should be removed because I think that the 17 basic partnership rule is that the managing 18 general partner has the responsibility to always 19 act in the best interest of the partnership. 20 And I consider that if Seavey and 21 those are behaving in a way to benefit themselves 22 and some third party, that he was not acting in 23 the best interest of the partnership and should 24 be removed. 25 Q. Are you aware of when that agreement</p>
<p style="text-align: right;">183</p> <p>1 John Edmonds 2 BY MR. TRAUB: 3 Q. You state that your auditor's review 4 of Dalton's records reveal that defendants 5 Phyllis Seavey and Dawley repeatedly and on a 6 consistent basis purposefully provided false and 7 misleading information in the monthly financial 8 package by not reporting amounts paid to the 9 partnerships in connection with the third-party 10 agreements entered into for the partnerships." 11 A. Uh-huh. 12 Q. Which third-party agreements are you 13 referring to in paragraph 23? 14 A. Which third-party agreements? 15 Q. Yes. 16 A. I'm talking about an agreement with 17 the garage operator. Talking about 18 an agreement with the laundry operator. And I'm 19 talking about an agreement with -- with the 20 people who install these telephone wires on the 21 roofs of these buildings. 22 Q. And are you contending that these 23 vendors actually paid money to the partnerships? 24 A. No, I'm contending that these 25 vendors have what you would call sweetheart</p>	<p style="text-align: right;">185</p> <p>1 John Edmonds 2 with the garage was entered into? 3 A. Whenever they came aboard. I don't 4 know when they came aboard. 5 Q. Have you seen this agreement? 6 A. I haven't seen the agreement. 7 Q. So you're not aware of the date that 8 the agreement was signed -- 9 A. Does Bob deny that the agreement 10 exists? No, I don't know when it was signed. 11 Q. Are you aware of the term of the 12 the length and term of the agreement? 13 A. It has an indefinite term. 14 Q. But in paragraph 23, you state that 15 they're providing misleading information by not 16 reporting amounts paid to the partnerships in 17 connection with these third-party agreements. 18 What payments are you referring to 19 that the partnerships are receiving from these 20 third-party agreements? 21 A. I don't know that the partnerships 22 are receiving any payment. I believe that, on 23 behalf of the partnership, these companies that 24 the Seaveys have formed are the -- are the 25 operators of this. And my essential position is</p>

<p>1 John Edmonds 2 that these are monies that should go to the 3 partnerships and not to Seavey or to any company 4 that he might have formed. 5 Q. Have you seen any document showing 6 that there's money going to the Seaveys or any 7 partnership that he might -- 8 A. No, I only have been able to 9 determine that, in fact, Avery Seavey is a 10 managing general partner of an agreement between 11 the Seaveys and the operator of the garage. 12 Q. Is there money from the garage that 13 you believe is going to the Seaveys? 14 A. Yes. 15 Q. And -- 16 A. If he's a partner with the garage 17 operator, then obviously monies are going to him. 18 Q. So is your understanding that 19 Avery is a partner in the garage? 20 A. Yes. And in the laundromat, also. 21 Q. And he's also a partner in the 22 laundromat? 23 A. Yes. And also partners in that 24 electronic -- 25 MR. HAYWOOD: Sign.</p>	<p>186</p> <p>1 John Edmonds 2 Seavey was the managing general partner along 3 with the garage operator. 4 Q. Do you remember the name of the LLC? 5 A. ABNS. 6 Q. It's your understanding that the 7 garage operator is a partner in ABNS? 8 A. ABNS, that's correct. 9 Q. You cite, though -- for your 10 contention, paragraph No. 3, you cite Exhibit A. 11 A. What's Exhibit A? 12 Q. Well, you cite here that "The 13 plaintiff's auditor's review revealed that, on a 14 consistent basis, they provided false, misleading 15 information by not reporting amounts paid to the 16 partnership." And you say, "See Exhibit A." 17 MR. HAYWOOD: Are you referring to 18 the Cameron Griffiths letter of -- 19 MR. TRAUB: If you look at 20 paragraph 23, in bold, at the very end of 21 23, you say, "See Exhibit A." 22 MR. HAYWOOD: I see listing 23 Exhibit Q. Where am I -- 24 THE WITNESS: "Plaintiff relied 25 totally upon the monthly financial packages</p>
<p>187</p> <p>1 John Edmonds 2 A. -- sign upstairs. 3 Q. What documents have you seen to 4 support your understanding -- 5 A. Those are not the kind of documents 6 that Seavey would distribute to me. 7 Q. Has anyone ever told you that Avery 8 is a partner in those -- 9 A. I said I investigated that. 10 Q. And who told you that Avery was a 11 partner in the partnership -- 12 A. State of New York. 13 Q. Which document of the State of New 14 York told you that? 15 A. I went to Albany and visited their 16 office -- 17 Q. Whose offices? 18 A. The Secretary of State at the 19 Harriman campus. 20 -- and secured this information. 21 Q. By looking at what document at the 22 Secretary of State's office? 23 A. They showed me a document that 24 reflected the organizations of this corporation 25 or limited liability company, of which Avery</p>	<p>189</p> <p>1 John Edmonds 2 which defendant Dalton prepared and sent to 3 him as being true and accurate. However, 4 plaintiff's auditor's review of Dalton's 5 financial records reveal that defendants 6 Phyllis Seavey and Dawley, repeatedly, and 7 on a consistent basis, purposely provided 8 false and misleading information in the 9 monthly financial package by not reporting 10 amounts paid to the partnership in 11 connection with third-party agreements it 12 entered into for the partnerships. 13 Q. Then what's the very next thing in 14 the parentheses say? 15 A. "See Exhibit A." 16 Q. So when we go to Exhibit A, we find 17 an independent auditor's report; is that correct? 18 A. Exhibit A and Exhibit -- that's G. 19 MR. HAYWOOD: (Indicating.) 20 A. Yeah. 21 Q. Where in the defendants' -- in the 22 independent auditor's report in Exhibit A does it 23 state that they found false, misleading 24 information by not reporting amounts paid to the 25 partnerships in connection with the --</p>

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<p style="text-align: right;">190</p> <p>1 John Edmonds 2 A. The answer to that is paragraph 2. 3 "We were unable to complete the audits because 4 the company's management refused to provide 5 documentation and/or explanation to substantiate 6 items in the general ledger, some of which 7 include several journal entries recorded in 8 general ledgers of all four companies, the 9 original document to support the notes payable to 10 Seavey or Lakeview, support for the balances 11 recorded in Lakeview money market and investment 12 accounts, among many others."</p> <p>13 Q. And you -- 14 A. "Because we were unable to obtain 15 substantiation for several items recorded in the 16 general ledger and we were unable to apply 17 alternative auditing procedures to the items 18 listed and the others mentioned as discussed in 19 the preceding paragraph, the scope of our work 20 was not sufficient to enable us to express and we 21 do not express an opinion as to the financial 22 statements referred to in the first paragraph." 23 Q. And you understand those two 24 paragraphs to mean that there was false, 25 misleading information in the monthly financial</p>	<p style="text-align: right;">192</p> <p>1 John Edmonds 2 that -- that the auditors got from Dawley. 3 Q. Did the auditors tell you that 4 Dawley was able to provide them with a general 5 balance -- with a general ledger? 6 A. I don't recall. 7 Q. Do you know the -- 8 A. I only know that -- that they 9 informed me that Dawley's position was if -- if 10 they were looking for these trial balances, 11 et cetera, that they would have to go to the 12 accountants. 13 Q. That's your understanding of what 14 Mr. Dawley told them? 15 A. Yes. 16 Q. In paragraph 55, you state that "The 17 defendants have breached their management 18 agreements and by refusing to maintain proper 19 computer systems, they're in violation of the 20 federal and state regulations which provide 21 substantial subsidies to the partnerships' 22 housing developments which govern their 23 management and operations." 24 Which federal and state regulations 25 are you referring to, Mr. Edmonds?</p>
<p style="text-align: right;">191</p> <p>1 John Edmonds 2 package because they didn't report amounts to 3 partnerships in connection with the third-party 4 agreements that it entered into for the 5 partnerships? 6 A. Yes. Because I believe that he has 7 the prime responsibility for reporting any 8 amounts of monies engendered by the partnerships 9 and that those monies should go to the 10 partnerships, not into the Seaveys' pockets. 11 Q. You state here in paragraph 54 on 12 page 13 that "Defendant Dawley informed 13 plaintiff's auditors that Dalton was unable to 14 produce this basic and standard information 15 necessary for the audit because defendant 16 Dalton's software was incapable of producing the 17 required "trial balances" -- that term's in 18 quote -- "from entries made in their general 19 ledgers which recorded the daily expenditures for 20 the management and operation of the partnerships' 21 housing developments." 22 Who told you that Mr. Dawley stated 23 the software is incapable of producing trial 24 balances? 25 A. Obviously this is information</p>	<p style="text-align: right;">193</p> <p>1 John Edmonds 2 A. I'm sure that they're both federal 3 and state regulations related to the management 4 of these parcels that requires the management to 5 maintain a proper computer system for the 6 management of the partnerships' financial 7 information. And either the Seaveys don't have 8 it or either they refuse to use it. 9 I understand that what they do, 10 according to Dawley, is that they -- that the 11 expenditures are made and that the checks for the 12 expenditures are attached, and that it is then 13 turned over to their accountants for their 14 accountants to convert from -- whatever the 15 system -- convert it from -- from the way in way 16 in which they keep their books to another form. 17 And I just can't think of it right 18 now. 19 Q. Have you seen any specific federal 20 and state regulations that -- 21 A. No, I have not. 22 Q. If you turn to page 16 of your 23 affidavit, you state that "The auditors found 24 that defendant Dalton had entered into several 25 contracts in excess of \$10,000 supposedly in</p>

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<p style="text-align: right;">194</p> <p>1 John Edmonds 2 connection with the maintenance and repair for 3 the various housing developments of the 4 partnership," and then you cite to Exhibit I. 5 If you turn to Exhibit I -- 6 A. Where's that? 7 Q. Under -- close to the back. And you 8 have a tab that says, "Exhibit I." 9 What is your understanding of what 10 is Exhibit I? 11 A. Let me see. 12 (Witness peruses the exhibit.) 13 A. As far as I can determine, these are 14 a listing of the checks that would have gone out 15 to various outfits who perform, according to 16 this, repair contracts, payroll, and that kind of 17 thing. 18 Q. Is it your contention that each one 19 of these items is a violation of the management 20 agreement? 21 A. My contention is that these items 22 reflect a process by which the Seaveys are able 23 to use the partnership monies as they see fit. 24 And I would suggest that perhaps the partnerships 25 are paying perhaps expenses for his other</p>	<p style="text-align: right;">196</p> <p>1 John Edmonds 2 will determine whether or not these companies 3 should be contacted in connection with our 4 lawsuit. 5 Q. So is it my understanding then, 6 without any documentary proof and without even 7 contacting these vendors, that you attached this 8 as an exhibit to a federal complaint and a 9 federal affidavit testifying -- 10 A. For me a court is a court. Okay. 11 And I attached those because these are documents 12 that the accountants have been able to get and 13 they indicate what Seavey says are expenses of 14 Dalton Management related to the operation of the 15 projects. 16 Q. Can you point to me in your 17 paragraph 35 where you state that the information 18 made is upon information and belief and not your 19 firsthand -- 20 A. I don't -- I do not use the language 21 "information and belief." I set forth in 22 unequivocal terms what I understand that's going 23 on here. 24 Q. And again, your understanding is not 25 based on documentary evidence and not based on</p>
<p style="text-align: right;">195</p> <p>1 John Edmonds 2 interests, the other partnerships that he may 3 owns. 4 Q. So is it your contention that even 5 though each one of these is listed under Church 6 Homes Associates, that you believe some of these 7 may have been related to work at a different 8 entity? 9 A. That's correct. May be related to an 10 entity that is wholly unrelated to these 11 partnerships. 12 Q. And what document have you seen that 13 gives you that belief? 14 A. Just looking at this document that 15 spells out, you know, what the repairs were and 16 so forth and so on. I don't know that all of 17 these are repairs that were made at any of the 18 partnerships' properties. 19 Q. Have you or your auditors undertaken 20 to contact any of these vendors to ask them for 21 proof about these repairs? 22 A. I don't think that they've 23 undertaken that. They're trying to complete the 24 examination of the books and records of Dalton 25 Management. And I guess at some point my counsel</p>	<p style="text-align: right;">197</p> <p>1 John Edmonds 2 contacting these vendors, but just your belief? 3 A. No, based upon information that I've 4 gleaned from my auditors as they go through the 5 books and records. 6 Q. What did your auditors glean then to 7 show them that your understanding is -- 8 A. I do not know. I'm not an 9 accountant. I don't know. I only know what my 10 oral discussions have been with them and what 11 their reports are to date. 12 Q. Have they orally reported to you 13 that they found proof that not all of these 14 vendors supplied work for Church Homes 15 Associates? 16 A. They have indicated to me that it is 17 likely that the fact that all of these vendors 18 may not be doing work on behalf of the 19 partnerships. They may be doing work for the 20 Seavey's other interests. 21 Q. And your auditors determined that 22 based upon a review of the books and records that 23 they've received so far? 24 MR. HAYWOOD: Objection. 25 I object to the suggestion in this</p>

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